



# Bank of Ireland Sectors Team Nursing Home Sector 2020 Insights / Outlook 2021

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**Bank of  
Ireland**

Classification: **Green**

# Nursing Home Sector 2020

## Summary

On Saturday 29 February 2020, the first confirmed case of coronavirus in the Republic of Ireland was reported. By 11 March 2020, the World Health Organization had declared COVID-19 a pandemic and noted its alarming levels of spread and severity. The pandemic illustrated the vulnerability of our health system and its supply chain as it bore the full brunt of COVID-19 and responded quickly to “flatten the curve” and save lives.

In Ireland, there was both a heavy toll on lives but also a significant impact on healthcare businesses. The State response to the pandemic has led to a numbers of expert and government reviews with recommendations about the care delivery in the long term care sector. Increased operational support to nursing homes was provided through twenty-three Health Service Executive (HSE) COVID-19 Response Teams which included, deployment of HSE staff, temporary accommodation for nursing home staff, access to and advice from Infection Prevention and Control (IPC) Teams and Personal Protective Equipment (PPE) was provided, free of charge, to nursing homes along with access to HSE training and ongoing regular education programmes. Additional funding of c. €4m was provided to increase IPC and Occupational Health capacity and for immediate minor capital requirements across both acute and community services.

In addition, the government has launched and reviewed a number of COVID-19 business supports that have been welcomed by the sector, including the Employment Wage Subsidy Scheme (EWSS), Temporary Assistance Payment Scheme for nursing homes (TAPS), COVID-19 Restrictions Support Scheme (CRSS), a moratorium in property rates, the VAT warehousing at 0% by Revenue as well as a number of grants. Despite the various supports some healthcare businesses remain under cash-flow pressure as a result of increased costs and reduced occupancy in nursing homes and reduced demand for homecare services.

## Nursing Home Supply

- Long-term residential care is provided by the private / not for profit (NFP) and public sector in 572 (↓ from 585 in 2020) nursing homes with 32,067 registered beds, a net increase of 98 beds since January 2020.
- New homes registered in 2020 include:

Name	Registered Provider	Location	Beds
Beaumont Lodge Residential Home	Bartra Opco (Beaumont NH) Ltd	Dublin	32
Lexington House	GN Lexington Property Ltd	Dublin	92
Sonas Nursing Home Carrick-on-Suir	Sonas Asset Holdings Limited	Tipperary	53
Willow Brooke Care Centre	Thistlemill Limited	Kerry	73
SignaCare Waterford	Signacare Waterford Ltd	Waterford	64
Northwood Residential Home	Bartra Opco (Northwood NH) Limited	Dublin	118

- We continue to see consolidation in the market with 52% of the private homes now in groups of two or more; this is up from 36% in 2020.
- The pressures of the pandemic has led to a number of independent owner-operators exiting the sector and this change is reflected in the changes of the ownership structure with c.30% of private nursing homes now owned by Irish and international investors and funds.

## Nursing Homes:

- Nursing homes certainly felt the COVID-19 headwinds, as initially the focus was preparing the acute hospitals for the projected first surge of COVID-19 with limited attention given to the nursing home sector. Concerns about the spread of COVID-19 to older and vulnerable residents led to nursing homes putting visiting restrictions in place. By 16 March, there had been two outbreaks of COVID-19 identified in nursing homes; by 11 May this rapidly rose to 371 outbreaks /clusters of COVID-19 in the country's nursing homes.
- From a care perspective, 2020 was a very challenging year for residents in nursing homes and the people who cared for them. COVID-19, both symptomatic and asymptomatic, spread rapidly to residents and carers, in advance of the introduction of a national screening programme. Despite

the valiant effort of operators and their staff in caring for residents while experiencing significant staff absenteeism and shortages of PPE, the level of mortality for residents was high with over 950 residents dying during the first wave. While research from the Health Information and Quality Authority (HIQA) found that some of these residents were already close to their end of life or their cause of death may have been due to other factors, the toll of the pandemic on residents who survived COVID-19, families of those who died and the operators and care staff should not be underestimated.

- Following the rapid spread of COVID-19 to residents in nursing homes and the high mortality rate, attention soon turned to the State and sector response to the pandemic. This resulted in a number of key reviews and reports with recommendations that may change the provision of long-term care going forward. Reports include:
  - Special Committee on COVID-19 Response Final Report<sup>1</sup>. The Committee reported that it was unable to get satisfactory answers as to why 985 residents of nursing homes died after they contracted COVID-19. This amounts to 56% of all deaths in the State from COVID-19, which is totally disproportionate for a group comprising of 0.65% of the population who were unique in terms of frailty and vulnerability. The report, published in October 2020, made 11 recommendations, including the establishment of a public inquiry to investigate and report on all circumstances relating to each individual death from COVID-19 in nursing homes.
  - COVID-19 Nursing Home Expert Panel Report<sup>2</sup>: Following the publication of this report, the Minister for Health established an inter-agency Oversight Team to oversee the implementation of the 86 recommendations of the report within 18 months of its publication. The recommendations include, inter alia, current regulations need to be modernised and enhanced with additional powers given to the HIQA; increased frequency of HIQA on-site inspections in nursing homes; mandatory reporting to HIQA of key operational data by each nursing home provider including data on staff numbers and grades, qualifications and occupancy levels and the development of a quality indicators and outcomes/resident safety model for nursing homes, requiring each nursing home to publish regular reports and to provide copies to HIQA.

- From a business perspective, nursing home operators reported increases in costs including overtime, retention initiatives and extra hours for carers and nursing staff to provide 1-1 care for residents in isolation as well as costs for additional cleaning hours for deep cleans to reduce COVID-19 spread and initially the purchase of PPE.
- Many operators report reduced occupancy directly as an impact of COVID-19 but also a result of introducing changes to manage and prevent the spread of the virus. This included reducing occupancy in twin rooms to singles, using bedrooms as PPE donning facilities, introducing isolation units and staff shortages.
- The Government has provided additional funding to support all residents in private and NFP nursing homes during the pandemic through a Temporary Assistance Scheme (DOH, 2020). This scheme was established as a temporary support mechanism to contribute a capped amount towards costs associated with COVID-19 in nursing homes and has been extended to June 2021. There are two component parts of the Scheme which are integrated: a support payment per month based on the number of residents and an enhanced assistance in the event of a nursing home actively managing an outbreak.

## Transaction Activity

Despite the many challenges of COVID-19 the continued Irish and international fund and investor interest in the nursing home sector led to a busy transaction market in 2020. These market changes have resulted in a shift from the traditional owner-operator model in Ireland to the more European PropCo/OpCo model with the transactions seeing the exit of a number of long-time independent owner operators. Transactions reported in 2020 include:

1. **CareChoice:** CareChoice group's purchase of Dublin's only fully private nursing home, Newtownpark House, a 59-bed facility together with 12 retirement bungalows on a 3-acre site in Blackrock, Dublin and Beaumont Care, a 73-bed facility in Cork. The CareChoice Group, backed by French group Infravia Capital Partners now owns 12 nursing homes with 1184 long-term residential care beds in Dublin, Cork and Meath.
2. **Immac:** German healthcare investor and owner of the Beechfield Group, Immac, acquired a further two nursing homes St Gabriel's nursing home in Raheny, Dublin, and Beechpark nursing home in Kildare. The Beechfield Care Group now operates 314 beds across 5 homes.
3. **Pierval Santé:** The nursing home portfolio of French real estate investment company, Pierval Santé, which is managed by Euryale Asset Management, has grown to over 1700 beds. It is reported to have acquired College View Nursing Home, a 70-bed home in Cavan town which will be operated by Grace Healthcare who also operate 5 other homes with 423 beds in Dublin and Monaghan acquired in 2019 by Pierval Santé. Pierval Santé also acquired Innis Ree, a 58-bed nursing home in Lanesboro, Roscommon and Ashborough Lodge Nursing Home with 58 beds in Milltown, Co Kerry. These homes will be operated by Sonas who now operate 591 beds across 12 homes with 8 of these homes (387 beds) and one further home with 90 beds under construction owned by Pierval Santé. The investment company also own 4 homes with 330 beds operated by Brookhaven Healthcare.
4. **Emera:** The French, private equity-backed, care group Emera is reported to have taken a majority stake in nursing homes operator Virtue Group. Emera, which has more than 6,500 nursing-home beds across seven countries, will acquire 70% of the operator. The Virtue Group operates 4 homes with 464 beds which are owned by the French real estate fund Pierval Santé
5. **Blackbee Healthcare Fund:** In 2020, Irish Blackbee

Healthcare Fund received approval from the Central Bank of Ireland for their healthcare fund which aims to raise €250m to invest in the acquisition and development of homes. Aperee, the operational arm of Blackbee, took over the management of seven nursing homes operated by the Ditchley Group and the acquisition of Havenwood Retirement Village, a 64-bed nursing home in Ballygunnar, Waterford. Aperee will now operate 552 beds across 10 homes. Blackbee now has c. 680 beds in their portfolio with plans to commence building of a 100 bed home on the site of the former Church of Ireland Rectory in Glanmire, Cork.

6. **DomusVi:** Spanish investor group DomusVi, who have more than 400 nursing homes in Europe and South America, were confirmed as the purchasers of the Trinity Care Group of seven homes and 491 beds (plus 1 home under construction in Ashtown). Belgian Healthcare REIT, Confinimmo immediately acquired the seven homes.
7. **JWP Enterprise Fund:** A number of nursing homes have been purchased under the immigrant investor programme with a reported €185m invested to date. JWP Enterprise Fund reported the acquisition of the Arbour Care Group's five nursing homes with 253 beds. JWP now owns 7 nursing homes with a total of 350 beds.
8. **Arthropoda Limited:** a newly created acquisition company indirectly owned and controlled by Orpea S.A. acquired a 50% stake and joint control of Brindley Healthcare Limited. Brindley Healthcare operates 10 residential care homes with 582 beds. Orpea is a leading European operator focused on the provision of residential care with nursing homes in over 22 countries also acquired the TLC nursing home group of five homes operating 674 beds for a reported €150m. The latest acquisition will give them a portfolio of 1256 beds.
9. **Cardinal Ireland:** The proposed acquisition by Cardinal Ireland Partners Fund SCSp (the "CIP Fund"), through Reguilon Unlimited Company, of a majority shareholding and sole control of operator Mowlam Healthcare Group, has been notified to the Competition and Consumer Protection Commission. In 2019, it was reported that AXA Investment Managers - Real Assets acquired a portfolio of ten nursing homes with 600 beds from Mowlam, which Mowlam Healthcare continue to operate. The Mowlam group now operates c.1600 beds across 27 homes.



# Nursing Home Sector Outlook 2021

## Summary

While the commencement of the roll out of the vaccination programme is welcome, the vulnerability of the healthcare system remains very much to the fore as the number the COVID-19 cases continue to rise including 150 open outbreaks in nursing homes<sup>3</sup> and our acute hospital system at full capacity services.

Interest in the nursing home sector from overseas operators and investors remains strong with the number of existing operators wishing to exit the sector rising.

In the long term, we are all living healthier and longer. By 2036, our over 80 population will increase from 170k in 2020 to 343k with the ESRI projecting a 39% increase in demand for residential long term care alongside a 70% increase in demand for homecare services. In the main, health is a non- cyclical sector and is less sensitive to economic growth and recessions. The favourable demographics and the level of regulation in the nursing home sector will result in continued growth and investment in the sector. However, in a post COVID-19 world, it is likely that there will be changes to the models of care for older people and the regulatory approach.



- The current model of regulation of nursing homes, in place since 2009, is built on the premise of the registration of a designated centre and not on the model or type of service provided. HIQA (2017) have previously proposed a service-based model of registration supported by a suite of regulations specific to each model of care. In line with recommendations from the Expert Panel report, the Department of Health has established a Bilateral Project Group with HIQA to examine the regulatory framework underpinning the operation of nursing<sup>4</sup>.

Introduction of a regulated Homecare Scheme: The Department of Health is in the process of developing a new statutory scheme for the financing and regulation of home-support services which will be underpinned by a reformed model of service delivery. However, the Minister of State for Older People announced that, while work on developing the necessary regulatory framework, assessment processes and IT structures were initiated; the scheme for homecare has been delayed until 2022.

## Headwinds

**Premises:** Operators may be required to reconfigure homes and/or build extensions to meet regulatory requirements and best practice guidelines for infection prevention and control. This may include self-contained units and single ensuite bedrooms to facilitate isolation which may result in reduced bed numbers and accelerate the deregistration of some homes, particularly homes where occupancy levels have dropped considerably, costs have risen and significant investment will be required to reconfigure and future proof the home to meet regulations – this may impact >40% of current homes.

**Financial:** The Minister announced a further extension of Temporary Assistance Payment Scheme (Further Extended Scheme) to support Nursing Homes up to 30th June 2021. The Scheme which consists of a Standard Assistance Payment and an Outbreak Assistance Payment contributes to additional allowable costs arising from COVID-19 incurred during the period of October 2020 to June 2021. Costs in the sector will continue to increase, in particular staff costs as a result of the introduction of the “living wage” and mandatory pension costs. In addition, operators report increased costs associated with social activities and catering to ensure distancing. Regulatory requirements will also result in increased costs.

**EBITDA:** Given the increased costs and lower occupancy it is projected that homes may experience a 2-4% drop in EBITDA margin in the absence of any change of reimbursement model. This will depend, inter alia, on home type, bed numbers, configuration, Fair Deal rate, bed supply and of course the successful roll out of the vaccine.

**COVID-19:** At the time of writing (22 Jan 2021) nursing homes continue to experience challenges with 150 outbreaks of COVID-19 in nursing homes, with 44 new outbreaks reported in Week 2 /2021. The European Centre for Disease Prevention and Control (ECDC) reported that “the probability of COVID-19 introduction into a long-term care facility depends on the level of COVID-19 circulation in the community, with a higher risk associated with higher incidence rates in the community.”

**The Report of the Expert Panel on Nursing Homes:** The inter-agency Oversight Team to oversee the implementation of the 86 recommendations has published its first interim report.

**Regulation:** HIQA estimates that 49% of the 572 nursing homes currently registered as Designated Centres for Older People will be due to renew their registration between July 2020 and June 2021. Since July 2020, 97 nursing homes have been registered, 4 of these were new openings. HIQA have recently received approval and funding to appoint additional inspectors.

## Looking ahead

- Projected population increases are greatest for older ages with the population aged 80 and over set to increase from 170k in 2020 to 343k in 2036, an increase of 102%. This will have a profound impact on the demand for healthcare services with the Health Service Capacity Review (2018) projecting a 70% increase in the demand for home care and a 33% increase in demand for residential long-term care, by 2031 (ESRI, 2018).
- The costs associated with regulation, infection control and the proposed nursing metrics and quality indicators and outcomes/resident safety model to be developed for nursing homes, requiring each nursing home to publish regular reports will be an additional burden for smaller independent owner operators. In the absence of a co-operative type model where single operators can contribute centrally to build capacity and capability in areas there may be a further consolidation or home closures.
- Continued fund and investor interest in the nursing home sector will lead to another busy transaction market in 2021, with the exit of independent owner operators.
- In 2020, operators delayed extensions and reconfigurations to focus on caring for residents. In 2021, we expect to see operators seeking finance for extensions and reconfigurations of existing homes to meet both demand and regulatory standards. Already we are seeing operators proposing extensions with “own door” access and smaller self-contained units in community settings. This trend is likely to continue.

## Bank of Ireland

Bank of Ireland understands the challenges faced by the nursing home sector as a consequence of the COVID-19 outbreak. Over the last 9 months we have supported our nursing home customers through payment breaks and facilities so they could focus on providing care. We are a strong supporter of the sector and in particular those care models where there is an alignment of interest from resident to borrower. We will continue to work closely with our customers and communities to enable them to thrive in the coming year as they adapt to the “Next Normal”.



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She held previous roles as Head of Healthcare Regulation in HIQA, Principal Consultant at PA Consulting, Patient Safety Advisor at World Health Organization and Head of Healthcare Business in Allianz Ireland. Her extensive senior clinical and business experience gives her a unique understanding of clinical, regulatory and financial aspects of healthcare. Hilary originally qualified as a nurse and holds an MBA from UCD, post graduate qualifications in Risk Management, Corporate Governance, Regulatory Crime and Business and Executive Coaching.

<sup>1</sup> [https://data.oireachtas.ie/ie/oireachtas/committee/dail/33/special\\_committee\\_on\\_covid\\_19\\_response/reports/2020/2020-10-09\\_final-report-of-the-special-committee-on-covid-19-response-sccr004\\_en.pdf](https://data.oireachtas.ie/ie/oireachtas/committee/dail/33/special_committee_on_covid_19_response/reports/2020/2020-10-09_final-report-of-the-special-committee-on-covid-19-response-sccr004_en.pdf) Accessed 02 October 2020

<sup>2</sup> [https://data.oireachtas.ie/ie/oireachtas/committee/dail/33/special\\_committee\\_on\\_covid\\_19\\_response/reports/2020/2020-10-09\\_final-report-of-the-special-committee-on-covid-19-response-sccr004\\_en.pdf](https://data.oireachtas.ie/ie/oireachtas/committee/dail/33/special_committee_on_covid_19_response/reports/2020/2020-10-09_final-report-of-the-special-committee-on-covid-19-response-sccr004_en.pdf) Accessed 02 October 2020

<sup>3</sup> [https://www.hpsc.ie/a-z/respiratory/coronavirus/novelcoronavirus/surveillance/covid-19outbreakclustersinireland/COVID-19%20Weekly%20Outbreak%20Report\\_Week022021\\_v1.0\\_18012021\\_WebVersion.pdf](https://www.hpsc.ie/a-z/respiratory/coronavirus/novelcoronavirus/surveillance/covid-19outbreakclustersinireland/COVID-19%20Weekly%20Outbreak%20Report_Week022021_v1.0_18012021_WebVersion.pdf) Accessed 22 January 2021

<sup>4</sup> <https://www.gov.ie/en/publication/c7f5b-covid-19-nursing-homes-expert-panel-report-implementation-oversight-team/> Accessed 24 January 2021

#### Sources

Central Statistics Office, Competition and Consumer Protection Commission, Department of Health, Economic and Social Research Centre, Health Information and Quality Authority, Health Protection and Surveillance Centre, Health Service Executive (HSE), National Public Health Emergency Team, Organisation for Economic Co-operation and Development, Programme for Government, World Health Organization.

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